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C O N F I D E N T I A L SECTION 01 OF 04 DAR ES SALAAM 001307

SIPDIS

FOR AF AND INR/AA

E.O. 12958: DECL: 6/30/15

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SUBJECT: WHITHER TANZANIA? CHARGE'S END-OF-TOUR
REFLECTIONS

Classified by Chargi d'Affaires Michael S. Owen for
reasons 1.4 (b) and (d).

1. (C) Summary: As I prepare to depart from Tanzania after three very enjoyable years, I see a nation with much unrealized potential, but with several daunting challenges ahead. Tanzanians can be justifiably proud of a vigorous national unity, an impressive record of democratic transitions, and excellent macroeconomic numbers. Tanzania's future growth, however, is jeopardized by an abysmal educational system, rampant corruption, and heavy donor dependency. A lack of mid-level management expertise throughout the GOT makes utilization of much donor assistance slow and inefficient. Restive Zanzibar remains a festering threat to national unity that will require strong leadership from both the GOT and GOZ. Likely President-to-be Jakaya Kikwete will have the political strength to address many of these problems, and the next five years will present excellent opportunities for U.S. engagement on several fronts. End summary.

The Good News:

2. (C) Tanzania's recent macroeconomic record would be the envy of most countries throughout the world. Since President Benjamin Mkapa came to power in 1995, Tanzania's stagnant economy has turned around. Real GDP growth rates are now averaging between five and six percent per year, and inflation has dropped to below five percent. Treasury bill rates are in the six-eight percent range, export earnings increased by over 20 percent in 2004, and foreign exchange reserves now amount to over nine months of import cover.

3. (C) Similarly, Tanzania's democratic record would, at least ostensibly, also be the envy of many countries. Tanzania has never had a military government, or experienced even an attempted coup d'etat. Since the first national elections were held in 1985, nationwide elections have been held on a regular five-year interval as prescribed in the national constitution. These elections have been widely regarded as having been free and fair. Only in semi-autonomous Zanzibar, where the opposition CUF party poses a serious challenge to the ruling CCM, was the experience in 1995 and 2000 far less successful. Unlike their counterparts in some neighboring states, Tanzanian Presidents have abided by the national constitution in stepping down after the maximum two terms they are allowed to serve: former President Ali Hassan Mwinyi voluntarily stepped down in 1995, and President Mkapa is set to do so later this year. Indeed, Tanzanians almost unanimously say it would be unthinkable for a President to subvert the constitution and attempt to serve longer than two terms.

Secondary Education in Crisis

4. (C) Despite these evident successes, Tanzania faces many daunting challenges that, left unresolved, will impede economic growth and potentially disrupt national unity. Perhaps the most obvious of these challenges is the dysfunctional national education system. Mkapa's government has managed some significant success in widening access to primary education: the primary school enrollment ratio has increased from 66.8 percent in 1995 when Mkapa took power, to 88.5 in 2004. Secondary education is in abysmal condition however, and there are few signs of hope on the horizon.

5. (C) Tanzania's secondary school enrollment ratio is just below seven percent, one of the lowest figures in Africa. To make matters worse, all primary education is in Kiswahili, and all secondary education is in English. This means that those few students who actually make it into secondary school face the immediate daunting prospect of having to learn a new language while at the same time mastering their coursework. Not surprisingly, the dropout rate in the first years of secondary school

is quite high. As I have traveled around Tanzania, I have been repeatedly struck by the crumbling infrastructure, poorly motivated (or absent) teachers, and dearth of educational supplies that routinely characterize Tanzanian public schools. As the East African Community becomes a reality, Tanzanians will have to scramble to compete with their far better-educated neighbors. More troubling still, the lack of quality public secondary education makes alternatives, including private and unregulated Islamic schools, attractive to many parents.

16. (C) Tanzania's educational woes manifest themselves in the severe lack of capacity in the country's civil service. Virtually every Ministry with which I've worked is headed by Permanent Secretaries and Office Directors who are dedicated, hard-working, and resourceful. Unfortunately, almost all lack a strong supporting cast. The lack of skilled mid-level management in virtually every Ministry means that senior management is ridiculously overburdened and that efficiency suffers. The results are all too evident: for example, Tanzania has received over USD 500 million in Global Fund funding, but has been able to spend only some USD 20 million thus far. A 2002 GOT study found that the Health Ministry was unable to account for almost 50 percent of its budget.

Corruption: Some Reasons for Optimism

17. (C) Corruption is also a major problem throughout the GOT, and one that our business contacts repeatedly complain about. President Mkapa came into power promising to "do something" about corruption, but has thus far made little apparent headway. Transparency International ranked Tanzania 81st out of 85 countries with a score of 1.9 on its corruption perception index in 1998, the first year Tanzania was included in its survey. In 2004 Tanzania was ranked 94th out of 146 countries, with a score of 2.4, on a scale in which less than 3.0 indicates "rampant corruption." There are some reasons for optimism on this front however: The GOT has enthusiastically embraced the possibility of Millennium Challenge threshold funding to combat corruption, and is currently finalizing a robust proposal with several ambitious steps, including active participation by the private sector. Several of our business contacts have hailed this as a major step in the right direction, and have noted that measurable progress on corruption could be a precursor to increased private investment in Tanzania.

Donor Dependency

18. (C) Due in part to its record of political stability, Tanzania has long been the darling of multilateral and bilateral donors. The Scandinavians have their largest development assistance programs in the world here, and the UK, Netherlands, Germany, and Japan also have very large programs. Canada is now set to make Tanzania one of its largest assistance recipients. Tanzania was one of the first countries to benefit from HIPC debt relief, and will receive debt relief of some USD 3 billion.

19. (C) While this assistance has clearly played a key role in Tanzania's development, particularly since 1985, it has also created serious donor dependency. Some 40 percent of the GOT's revenue comes from donors, either via direct budget support or via specific project finance, and there is no sign that this number is declining. It was been widely remarked that Founding Father Julius Nyerere's "Ujama Socialism" created a nationwide climate in which personal initiative and entrepreneurial spirit were anathema. This is applicable to development assistance as well, and is recognized by President Mkapa, who has on several occasions exhorted Tanzanians to "stand on our own two feet," and not to "expect hand-outs forever."

The Need for a Viable Opposition

10. (C) In the long run, I believe Tanzania would be well-served by the rise of a viable opposition party that could pose a serious challenge to the CCM throughout the nation. At the present time, most senior and even mid-level GOT officials see their primary loyalty as being to the CCM, and public service takes a back seat. I have been struck by the extent to which Regional Commissioners, District Commissioners, and other officials around the country flaunt their CCM credentials

first and foremost: every public dedication of a project becomes an occasion for trumpeting the accomplishments of the CCM, often to the embarrassment of the donors who actually paid for the project. A viable opposition would present the Tanzanian electorate with serious choices and help foster a more accountable and professional civil service.

The Biggest Challenge of All: Zanzibar

11. (C) One of the most pressing problems facing Tanzania is the ongoing political crisis on volatile Zanzibar, where the ruling CCM party faces a strong test from the opposition CUF in elections in October. Unlike the mainland, Zanzibar's elections in 1995 and 2000 were marred by fraud and violence, and more of the same is quite possible later this year. The fact that the CUF membership is almost exclusively Muslim lends unfortunate sectarian undertones to the contest. Although the leaders of both parties are saying the right things at this stage, it is abundantly clear that emotions are running high on all sides and there will be a strong reaction from whichever party loses.

12. (C) The probable next Union President Kikwete is extremely close to Zanzibari President Karume, and will almost certainly stand by Karume no matter what happens, while at the same time trying to evade direct responsibility for any fraud or violence. Only strong and mature political leadership can avert problems in Zanzibar, and sadly, I don't see much evidence of that at the moment. Zanzibar will continue to be a nagging thorn in the side of Tanzania until the CCM leadership takes action to ensure a free and fair election, and then both sides accept the result. Failure to follow this course will only create deeper animosities and foster radicalism.

What to Expect From a Kikwete Government

13. (C) Kikwete is certainly aware of all these issues, and I believe he will act quickly to address at least some of them. Kikwete has told me on several occasions that there is a "generation gap" in Tanzania, and only after "Ujama socialism" old-timers move on and a younger set of Tanzanians come to the fore will Tanzanian society become less aid dependent and more dynamic. Kikwete's popularity among young Tanzanians will probably help speed up this transition, and I expect to see many new, and younger, faces in a Kikwete cabinet. He has spoken to me several times about the importance of secondary education and the need to improve Tanzania's performance in this area. Kikwete is also deeply concerned by the impact of HIV/AIDS, very appreciative of our efforts under PEPFAR, and eager to work with the U.S. on health issues. We have had and should continue to have an excellent working relationship with Kikwete, but as President we should not lose sight of the fact that he will be as ruthless as anyone in maintaining the CCM on top of the heap.

Opportunities Ahead

14. (C) Kikwete has the charisma and broad popularity to enable him to exert bold leadership and make significant progress in a number of areas. This transition provides us with the opportunity to engage with him in a number of key areas:

-- Health: Kikwete is highly appreciative of PEPFAR, as well as the President's new Malaria Initiative. He is almost certain to bring in younger and more dynamic leadership to the lackluster Health Ministry, and implementation of these programs should improve dramatically as a result.

-- Education: Given Kikwete's stated interest in education, we have an opportunity to make significant strides here if funding is available. Improving Tanzania's secondary education is key to promoting economic competitiveness and to stemming the allure of unregulated Islamic schools, particularly in Zanzibar.

-- Governance: If Tanzania receives Millennium Challenge threshold funding for anti-corruption, we'll be in a great position to make a difference in this area, and should push Kikwete to use his strong position to move aggressively to show quick and demonstrable results on corruption.

-- Economic Growth: Mkapa has done a great deal to move

Tanzania's economy away from the old-line socialist model toward free-market capitalism, and we should urge Kikwete to stay the course, promote investment, and work toward lessening Tanzania's debilitating dependence on foreign aid.

-- Zanzibar: No problem is more important or more vexatious. Beyond the possibility of electoral fraud and violence lies a longer term threat of increased radicalism and separatist sentiments in the isles. Strong leadership from the union Government will be vital in heading off this threat, and we and other like-minded donors will need to continue to push Kikwete to lay the groundwork for truly democratic elections on Zanzibar, and to accept an opposition-led government on Zanzibar if need be.

-- Youth outreach: We should also utilize Kikwete's focus on the younger generation to continue our highly successful efforts to reach out to Tanzanian youth, particularly in predominantly Muslim areas.

15. (C) The USG has achieved a great deal in Tanzania during the past three years, and I leave at a time when dramatic changes are on the horizon. Challenges and opportunities abound, and I am cautiously optimistic that the years ahead will see significant progress for this endlessly fascinating country.

OWEN